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United States Department of Agriculture
" AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

Number 1

September 2, 1939.

CURRENT COMMENT ON AAA PROGRAMS

New York Times, July 27, 1939

Agricultural 'Planners'
Face a Shocking Picture

It is a shocking picture that the world's agricultural "planners" look out upon when they survey the results of their handiwork in the crops that have been their particular concern.

Let us begin with wheat. There is practically no important country in the world that has not got a government "wheat plan" of some sort. Statisticians have calculated that various governments are jointly spending more than two billion dollars annually in an effort to hold up grain prices. After all their activities in recent years the prospective world supply of wheat for 1939-1940 is placed at 5,290,000,000 bushels, the greatest on record, while wheat has fallen in the Liverpool market to the lowest prices reached since Queen Elizabeth's time. It is small satisfaction that by a tariff and government loans we have kept American wheat from falling quite as low. September wheat at 60 3/8 cents on Monday fell within 3/4 cent of the lowest price at which any wheat future has sold since April 1933.

Some of our own government's policies have certainly made the plight of the American wheat-grower worse. It is futile for a country that grows wheat for export in a competitive market to adopt an acreage restriction scheme. Our own restriction is not great enough materially to affect the world price, while it reduces farm income by reducing the amount of wheat we have to sell. It has not helped us to

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★ SEP 18 1939 ★

AAA Comments. Department of Agriculture

The Agricultural Adjustment Administration is engaged in the practical job of protecting farm families from the crushing effects of world forces, set in motion by the World War and intensified by rapid strides in industrial and agricultural production.

The strength of these forces must be taken into account when the effectiveness of farm programs is judged, just as the size of a tidal wave is considered when the protection afforded by a sea wall is measured.

The accomplishments of AAA:

First it prevented agricultural collapse six years ago. More than any other one factor, it has kept farmers in business since then. It is no accident that cash farm income is three-fourths larger than before Triple-A days, nor that farm cash available for living is nearly 1 1/2 times greater than in 1932. The Triple-A farmers have set up the Ever-Normal Granary which is the greatest assurance of abundance at reasonable prices that any farm people has ever given to a nation in the history of the world. No other industry has so safeguarded the interests of its customers. In the first full year of the operation of the new program acreages of the major crops are in line with needs, and this year producers of the major crops listed in the Act, who cooperate in the programs are assured of 75

subsidize wheat for export. In combination with other countries doing the same thing, the result has merely been to push down the world price farther.

In the 12 months ended on June 30 the United States government sold 93,754,000 bushels of wheat in the export markets at a loss to the government of \$25,700,000, or 27.4 cents a bushel. The foreign consumer in other words, was able to get his wheat cheaper at the expense of the American taxpayer. That is hardly the path to national enrichment.

* * *

Corn also is now selling at the lowest prices since 1933. For this our own governmental policy must again bear a large part of the blame. Last year and the year before, the government made "non-recourse" loans to enable the farmers to hold large stocks of corn off the market. The loan rate was made so attractive that it even paid farmers to build extra cribs to store on their own farms the corn under government loan. So the farmers withdrew from the market and stored in their own cribs some 257 million bushels of 1937 and 1938 corn.

No doubt this helped to keep prices up for a time. But these loans fall due on August 1, and farmers want to free their storage space to make room for the new crop. Fears that the government will be forced to take 100 million bushels or more of this grain in satisfaction of the matured loans and sell it have been depressing the market. The price can be kept up, perhaps, by new government loans so high that it would be profitable for the farmers to build still more cribs to hold still more unsold corn. Is this to be the outcome of Mr. Wallace's "ever-normal granary?" At present prices the

percent of parity on the normal yield on their allotted acres. Not enough, but it is real progress from the dark days just behind.

The AAA program has made soil conservation possible for every farmer. It has enabled farmers to shift millions of acres from depleting crops to the soil-building grasses and legumes.

Most important, Congress and the farmers have developed the most workable farm program in our history. The tools are in the farmer's own hands for making and keeping our agriculture economically sound, while building our soils, and furnishing the Nation abundance.

Wheat, corn, and cotton are America's three greatest crops. Not counting government payments, farmer income from these crops almost doubled from 1932 to 1938. The increase was from \$770,295,000 in 1932 to \$1,371,506,000 in 1938.

The American wheat farmer is getting more than 85 cents a bushel for his wheat through his cooperation with the AAA program this year. World prices are the lowest since the Liverpool exchange opened in 1592. Exporting countries are fighting to sell to importing countries which are taking only about 550 million bushels compared to about 950 million bushels 10 years ago. Normally, American domestic farm prices are about 29 cents less than the Liverpool price, which is now about 50 cents. Without the acreage adjustment, loan, and export subsidy programs, American farmers could hardly have received more than 25 cents a bushel for their wheat this year.

The export subsidy program was not a case of under-selling: foreign

SEP 2 1939
H.H.

government already has a loss of about 25 cents a bushel on the corn under the present loan. The prospective carryover of corn on October 1 next is already estimated to be at a record high level.

* * *

For the present plight of cotton the direct responsibility of our government's policy is a very heavy one. The crop restriction policy itself is indefensible on several grounds, but much worse in practical effect has been the government loan policy. Under that policy the government has placed an entire year's American cotton crop in warehouses; the American price has been kept above the world price, and as a result in the "cotton year" that ends with this month the United States will have exported only about 3,400,000 bales, the smallest export in 60 years.

In the 1932 year the exports of cotton amounted to 8,766,000 bales. The difference is not to be accounted for by any decline in world demand. On the contrary, in the same period in which our exports fell off by more than five million bales, world consumption of all cotton rose by about three million bales. Other producing countries have stepped into the place in world markets that we abandoned.

As a cure for this, the government does not propose abandonment of either the restriction policy or the more damaging loan policy. Instead, and in spite of the bad results in wheat, Secretary Wallace announces that beginning today the government will subsidize the export of cotton to the extent of 1-1/2 cents a pound. In other words, having artificially, and at great government expense, held cotton off the world market, we are now artificially, and at further government expense, to try to force some of it onto the world market.

buyers could buy wheat from other sellers in the world market at the same price. The export program enabled us to retain a substantial share of the world's wheat market, (more than 1000,000 bushels), and at the same time retain substantial price benefits for the farmer. It led to a world wheat conference which aims to apportion wheat exports fairly among all exporting countries, and to make subsidies (all major exporting countries use them) unnecessary.

About three-fourths of the commercial corn growers are cooperating in the corn program and are realizing an income for their corn more than twice as great as in 1932.

The storing of 257 million bushels of corn under loan is a blessing. It should be recalled that the 271 million bushels stored under loan in 1934 proved inadequate in the situation caused by the droughts. Because the normal carry-over of somewhat less than 200 million bushels of corn in times past is not enough is the reason that the ever-normal granary for corn calls for greater than usual reserves.

The ever-normal granary is working, and corn acreage for 1940 doubtless will be adjusted downward in line with the current situation. This all has significance for livestock feeders to whom in the long run cheap feed, with its resulting low livestock prices, is not an advantage.

Long before the beginning of the present farm programs, our failure to recognize in tariff and other policies the fact that we had become a creditor nation had made inevitable the decline in exports of cotton and wheat and other commodities. Cotton exports

But the results will be much more serious than in the case of wheat. For cotton is a raw material that goes into manufactures. What we will be doing is to give foreigners cheaper raw cotton to compete against our own manufacturers in our own markets and in world markets. To compensate, Mr. Wallace will also subsidize exports of finished cotton goods, and suggests limitations on imports of cotton goods. But this leads merely to the building up of a whole series of bureaucratic controls. And we are doing all this at the very time when we have placed countervailing duties on importations of silks from Italy and a whole range of products from Germany, on the ground that those importations are subsidized. In other words, we are deliberately undertaking what we officially penalize as unfair and demoralizing competition when it is done by other nations.

This is the end result of the "orderly government planning" that was to supplant the "chaos" of uncontrolled agriculture.

* * *

were large in 1932. The world stocked up on American soil fertility and the labor of cotton growing families at bargain prices. Our people decided that this country could not afford to continue selling soil fertility and labor at a rate that meant abject poverty in the South.

Secretary Wallace has called attention to the alarming decrease in our 1938 cotton exports. He has pointed out that continuation of the cotton loan without some means of maintaining our fair share of the export market would be almost certain to reduce our exports to a still lower level.

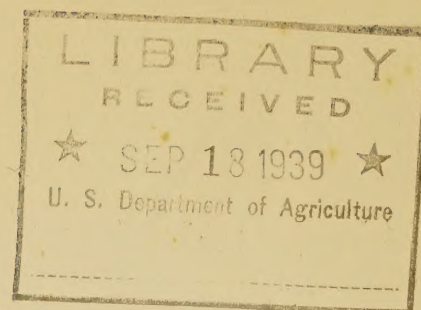
Our government has proposed a world cotton conference to work for a world agreement to stabilize world markets and prices. The conference is scheduled in Washington for early September. In the meantime action has been taken through an export subsidy to protect if possible the United States cotton producers' share of the world market.

Secretary Wallace has pointed out also that we must face the fact that discontinuance of the cotton loan would probably result in a drop of 2 or 3 cents per pound from the present low price level. This would mean a loss in price of from \$10 to \$15 per bale.

With the help of the Government program, income from cotton, including Government payments, has risen from a low of \$464,000,000 in 1932 to an average of \$906,000,000 for the 5 years 1933-37. Preliminary figures show cotton income for 1938 at \$851,000,000.

The cotton farmer sees what some others do not--the vast improvement in his situation, the better conditions of his fields and the better conditions of his home. But the cotton farmer is still a poor man. The farm problem of the South is not yet solved but a measure of protection has been thrown around the Southern farm family during these trying times of honest searching for more lasting solutions.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D.C.

Number 2

August 31, 1939

CURRENT COMMENT ON AAA PROGRAMS

How Government Publicity
Men Try to Smother Facts

AAA Comments

By Paul Mallon

Tuesday, August 15
syndicated column

On Smothering Facts

This Administration has been more successful than perhaps any other in concealing its defects, silencing its opposition by ridicule, and inducing people not to believe any analysts except its own.

Wheat export subsidy press releases made public to all newspapers August 29, 1938--July 18, 1939.

All politicians have tried since the beginning of time in some fair or unfair way to get the same results. It seems to be an indispensable quality of political human nature - Democratic, Republican, Hitleristic, Stalinistic or what you will. They all want everyone to believe they are always right and their critics are always liars, even in matters of no particular significance.

August 29, 1938
Acting Secretary Wilson announces 1938-39 wheat export policy.

The New Deal has been able to get away with more than most, not only because it is exceptionally publicity-conscious and has an army of publicity men, but also because so many people want a New Deal and want to believe in it.

August 31, 1938
Terms of wheat export program are announced.

Never was there a more revealing case of methods than in an incident which occurred to a young couple, Mr. and Mrs. Paul F. Warburton. They operate a 160 acre farm near Minnesota, and have developed a way of speaking out in meetings about the farm programs. At one AAA meeting,

September 3, 1938
Acting Secretary Wilson approves flour export plan.

September 7, 1938
Initial flour indemnity rate 30 cents a barrel.

September 16, 1938
AAA offices at Chicago, Kansas City, to handle flour export program.

UNITED STATES DEPARTMENT OF AGRICULTURE
NATIONAL AGRICULTURAL EXPERIMENT STATION
WASHINGTON, D. C.

August 21, 1938

Page 2

REPORT ON THE PROGRESS OF THE

1938

Department of Agriculture
and the National Experiment Station

to the Nation

Washington, D. C.
August 21, 1938

Dr. J. H. T. Smith

Dear Sir: - I am very pleased to
acknowledge the receipt of your letter
of August 10, 1938, regarding the
progress of the work of the

Department of Agriculture and the
National Experiment Station. I am
very glad to hear that you are
interested in the progress of the
work of the Department and the
National Experiment Station.

I am very glad to hear that you
are interested in the progress of
the work of the Department and the
National Experiment Station.

All the work of the Department and
the National Experiment Station is
being carried on in a most efficient
manner. I am very glad to hear
that you are interested in the
progress of the work of the
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conducted by AAA committeemen and leaders, they spoke out against this Government selling wheat to Great Britian at 20 cents a bushel when its own citizens were paying twice as much. They complained the U. S. taxpayers were required to pay the cost of this means of disposing of surpluses.

The AAA committeemen and the leader of the evening, who were farm experts designated by the Government to inform wheat farmers of Minnesota what was going on, promptly said they had never heard of it. Such a thing was not possible. If anyone was doing it, it must be private business and not the Government, they told the Minnesota farmers. "Where do you get your information," they asked.

The Warburtons confessed they had read of it in this column as published in a newspaper "Oh," said the AAA officials, "the newspaper and Paul Mallon are anti-New Deal propagandists." This shushed Mr. and Mrs. Warburton and lead all the farmers present to believe the Agriculture Department was not selling wheat abroad at a subsidy.

But the Warburtons, taking more interest in such matters than people usually take, wrote in to me asking how I got that way--passing out false information.."Could you refer us to some official source."

Three official mimeographed announcements of the Agriculture Department were forwarded to the Warburtons. One was a three-sentence announcement of the sale of 20 million bushels of wheat to Britain by the Federal Surplus Commodities Corporation, a division of the Department of Agriculture. Another was an announcement disclosing the losses were

September 24, 1938

AAA reports wheat and flour purchases and export sales.

December 1, 1938

FSCC announces plans for 20 million bu. wheat export to United Kingdom.

Note: Regular monthly reports on export sales program were made from December through July. These were in the form of regular press releases.

May 17, 1939

109,300,000 bushels of wheat and flour sold for export.

July 18, 1939

Wheat and flour export sales total 118,054,000 bushels.

On selling to foreigners

FSCC sells no wheat to foreigners - it sells to American exporters only.

On selling at "20 cents a bushel."

FSCC sells to exporters at World price less handling charges and cost of shipping from American port to foreign port.

approximately 25 cents a bushel, and still another pointing out how these losses were going to be paid from customs receipts of the Treasury as Congress had provided.

Program enables exporters to meet the world price. Foreign buyers could have bought wheat from any other sellers in the world market at the same price.

Mrs. Warburton tucked the indisputable official proof into her brief case and went to the next meeting at which a university extension expert was to explain the advantages of the AAA to the women, under the auspices of the AAA county chairman and county committee. Mrs. Warburton raised the question about the subsidy. The export had not heard of it and the AAA county officials were accustomed by this time to saying they never heard of it either... "It was just anti-New Deal propaganda."

Mrs. Warburton dug down into her briefcase and came up with the official Agriculture Department bulletins. Consternation ensued, such consternation that the Warburtons are not sure whether the AAA experts and agents yet know an export subsidy program for wheat is being conducted by their own Washington headquarters - or are ready to admit it.

This generally successful publicity strategy (it has failed only in this instance as far as I know) rests primarily upon decentralization. Each section of the country can be made a different field of operations for different propaganda. Government agents in each locality can preach an altered gospel to fit local conditions.

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U.S. DEPARTMENT OF AGRICULTURE

United States Department of Agriculture
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

Number 3

September 11, 1939

CURRENT COMMENT ON AAA PROGRAMS

THE FORGOTTEN HALF

of the

IMPORT STORY

The Import Question:

The following editorial, quoting the Savannah Morning News, was quoted in part directly from the Sandersville (Ga.) Progress of August 10, 1939:

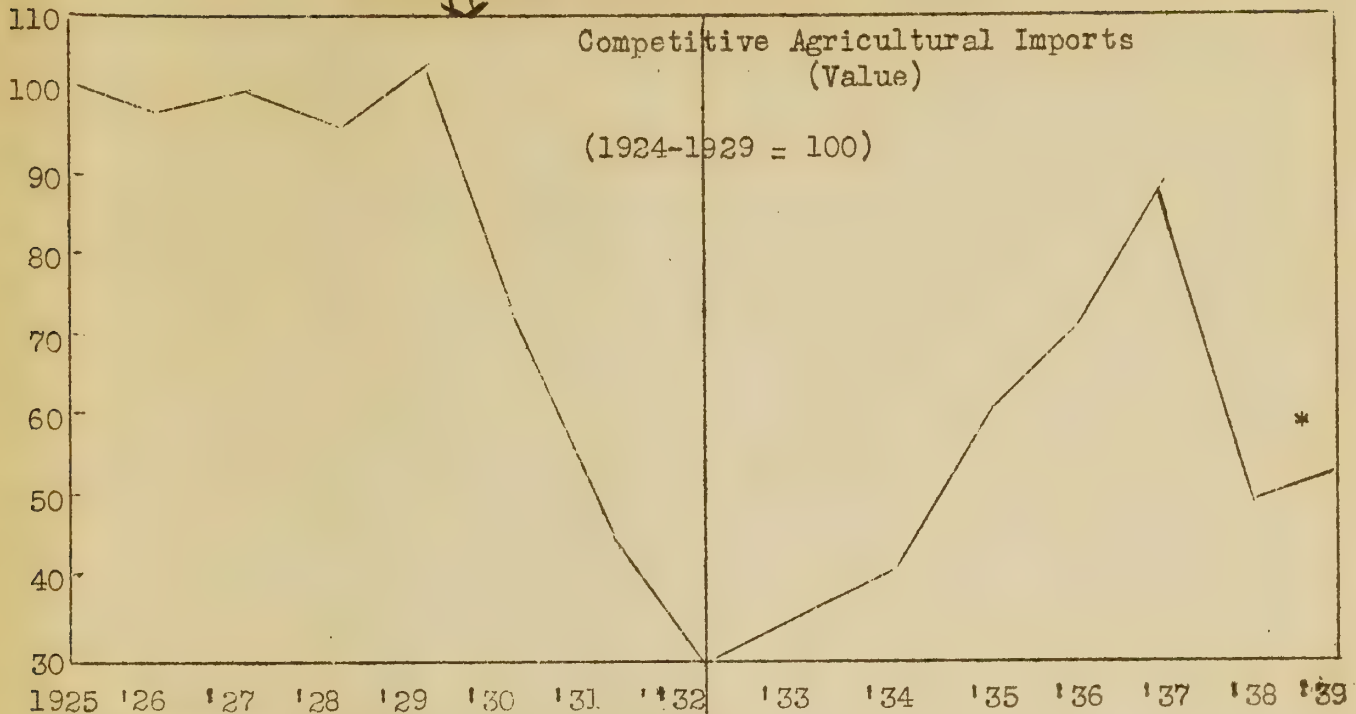
"Blighting effect of the New Deal's agricultural policies are graphically portrayed by official figures showing the tremendous rise in the amount of farm products imported into the United States during the period from 1932 to 1937, inclusive. The figures show that the American farm commodity market, which rightfully belongs to the American farmer, has been given over to an alarming extent to the foreign producers. Since 1933, when the government persuaded the American farmer to restrict farm production and grow less, it has invited foreign farmers to produce more, bring their products into the United States, and sell their cheaply-produced commodities in this country in competition with domestic production.

"The farmers of America have taken approximately 40,000,000 acres of arable land out of competitive production at the direction of the government. By 1937 foreign imports had reached the total of one billion dollars in value, representing a displacement in productive capacity of nearly 75,000,000 acres of domestic farm lands, and producing a glutted market with falling prices and a very grave dislocation in our agricultural-economic picture. The following table shows a representative list of competitive farm imports, for the years 1932 and 1937, from official figures released by the United States Department of Commerce:

<u>Item</u>	<u>Unit</u>	<u>1932 Imports</u>	<u>1937 Imports</u>
Corn	bushels	347,627	86,337,248
Wheat	bushels	10,026,000	17,434,837
Barley, malt	pounds	52,532,636	371,243,456
Rye	bushels	87	206,860
Tapioca	pounds	130,000,372	432,857,738
Hay	tons	13,818	146,149
Soybeans	pounds	36,568,700	109,418,304
Cottonseed oil	pounds	1,058,945	194,008,241
Butter	pounds	1,052,598	11,110,762
Cattle	head	97,040	494,943
Hogs	pounds	34,155	16,555,218
Fresh pork	pounds	1,657,500	20,876,569
Hams, bacon, etc.	pounds	3,015,489	47,422,022
Fresh beef	pounds	796,594	4,665,558
Canned beef	pounds	24,793,497	88,087,133
Total meat prod.	pounds	46,749,702	191,906,012
Eggs, in shell	dozens	243,748	520,189
Dried milk	pounds	59,620	2,924,157
Hides	pounds	188,013,286	312,035,407
Molasses	gallons	155,888,307	301,449,599
Wool and mohair	pounds	58,097,521	320,034,700

INDEX

THE FORGOTTEN HALF OF THE IMPORT STORY

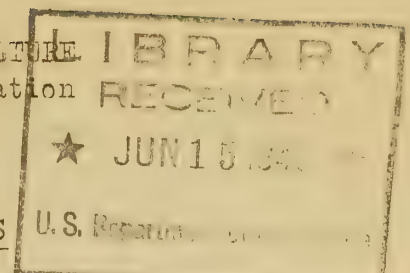


* Projected on basis of first 6 months.

	Annual Average 1924 - 1929	1932	1937	1938 2/
	Thousands	Thousands	Thousands	Thousands
TOTAL COMPETITIVE AGRICULTURAL				
IMPORTS 1/ (Value dollars)	988,000	296,000	868,000	477,000
Corn, Grain (bus.)	1,996	348	86,337	404
Wheat 3/ (bus.)	1,489	3	8,684	48
Barley, malt (lbs.)	888	52,533	371,243	100,576
Rye, grain (bus.) 5/		5/	207	5/
Tapioca 4/ (lbs.)	126,800	130,000	432,858	230,879
Hay (tons) 6/	174	14	146	19
Soybean oil-cake & meal (lbs.)	73,395	36,569	109,418	26,270
Cottonseed oil-cake&meal (lbs.)	21,142	1,059	41,952	6,591
Butter (lbs.)	8,058	1,053	11,111	1,624
Cattle, except for breeding (nos.)	315	97	495	424
Hogs, live (lbs.)	13,729	34	16,555	57
Total meat products (lbs.)	108,613	46,750	191,906	148,149
Fresh pork (lbs.)	8,080	1,658	20,877	4,287
Hams, shoulders & bacon (lbs.)	2,046	3,015	47,422	44,346
Fresh beef, except veal (lbs.)	26,184	797	4,666	1,634
Canned meats (lbs.)	35,614	24,793	88,087	78,597
Eggs, in shell (doz.)	328	244	520	232
Wool & mohair, unmfrd. (lbs.)	280,101	58,098	326,035	104,274
Dried & malted milk (lbs.)	5,313	60	2,924	81
Hides & skins, raw 7/ (lbs.)	425,964	188,013	312,035	179,315
Inedible molasses (gals.)	239,241	155,888	301,450	177,348

1/ Includes items other than those shown below, based mainly on individual products shown in editorial. 2/ Preliminary 5/10/39. 3/ Excludes wheat imported in bond for milling and export as flour. 4/ Includes tapioca, flour and cassava. 5/ Less than 500. 6/ 2,240 lb. ton for 1929; 2,000 lb. ton for 1932, '37 & '38. 7/ 1929 & 1932 include a small amount of reptile and fish skins.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D.C.



CURRENT COMMENT ON AAA PROGRAMS

Number 3

April 29, 1940

The following is an editorial
from the New York Herald Trib-
une, March 30, 1940:

AAA Comments:

TWO HUNDRED DOLLARS A VOTE

A Massachusetts farmer, who has withheld his name because, he writes us, "we farmers are afraid of being cracked down upon," has sent us an official publication of the Northeast division of the Agricultural Adjustment Administration of the United States Department of Agriculture, entitled: "Here's the 1940 Agricultural Conservation Program for Massachusetts." It was issued Dec. 5, 1939, and bears the identification number "NER-410-Mass." Our correspondent's irate comment is that "no self-respecting farmer would accept anything from the government for doing the things set forth in this pamphlet, because any farmer who is worth the powder to blow him over his own fence would do these things anyway, without any paternalism from the government.

What does this pamphlet disclose?

(1) That despite the cancellation of the famous potato control act of 1935, the government is attempting to control the planting of potatoes by offering a bounty for those who stay within the allotted acreage and imposing a penalty for those who plant more than three acres;

(2) That the government, in addition, is attempting to control the acreage planted to vegetables, and is offering awards and threatening penalties in carrying it out;

(Excerpts from letter written by R.M. Evans, AAA administrator, to Herald Tribune in reply to editorial.)

On the strength of a letter from a man who refused to sign his name, and in disregard of the plain language of an explanatory bulletin, the Herald Tribune published in its March 30 issue a definitely misleading editorial attacking the first effective soil conservation program this country has ever had. I refer to your editorial entitled "Two Hundred Dollars a Vote."

Taking the bulletin of the Agricultural Adjustment Administration, NER-410 Mass., which contains provisions of the 1940 Agricultural Conservation Program that are available to Massachusetts' farmers, and the statements in an anonymous letter, the Herald Tribune has arrived at the erroneous conclusions that the AAA conservation program is compulsory, devises conservation payments for political reasons, pays farmers for what they would do anyway, and is administered by a horde of Federal agents. All of these conclusions are wrong, as even a superficial inquiry would have revealed.

* * *

However, the most disturbing part of your editorial is not its misstatement and twisting of fact. The really disturbing thing about the editorial is that it reveals a callous and irresponsible attitude on the part of a great metropolitan newspaper toward the vital problem of agricultural conservation. This is a problem that is national in scope. Soil fertility

(Editorial cont.)

(3) That it is doing the same thing on tobacco;

(4) That it is offering payments to farmers who will clear their wood lots; that it offers to pay for pruning trees; that it will also pay for reforestation;

(5) That it will make payments to farmers who keep livestock out of their woodlots;

(6) That it will pay for mulching orchard trees with air-dried straw or hay;

(7) That it will pay for contour furrowing and strip cropping, as well as for many other operations which, as our correspondent pointed out, any good farmer would normally do without being bribed.

How much, it is only natural to ask, can the subsidized farmer get from doing as he is told? The sums, of course, vary, and are calculated by an intricate process somewhat obscurely set forth in the pamphlet. What the government's real purpose is, however, is far from obscurely set forth under a heading entitled "Increase of Payments." This provides that if any person's share of the farm payment is less than \$200, it shall be increased by sums varying from 40 percent of the calculated payment due him, down to a smaller sum as his total due approaches \$200. Specifically, a man entitled to \$20 gets \$28; one who is entitled to \$41 gets \$55, whereas one who is entitled to \$186 gets \$200. In other words, as far as is practicable each farmer in Massachusetts---and presumably elsewhere throughout the country---is to get as near \$200 as the A.A.A. can figure it out. And this is an election year!

(AAA Comments cont.)

has gone into the building of New York City and the conservation of soil fertility is essential to the present and future of New York City.

No one questions that, as a Nation, we have for many years been using soil fertility more rapidly than we have been replacing it. The time has now come when, as a Nation, we must take steps to reverse the trend and put our soil on a permanent basis. It is a national job of first magnitude on which much of our future depends - and it will cost money. The United States is going to have to pay for conservation whether it gets it or not. We can invest our money and get conservation or we can ignore the problem and pay for it in higher costs of production and a lower standard of living.

* * *

The provision for increasing small payments to cooperating producers is a specific legislative provision enacted by Congress in Section 102 of the Agricultural Adjustment Act of 1938 which has been a law since February 16, 1938. The purpose of this provision is to offset, in part, the higher costs of smaller producers, as compared with those of the larger producers and to make it possible for them to accomplish more conservation on their own farms. It is not, as you write, a plan to get each farmer "as near \$200 as the A.A.A. can figure it out." In 1938, for example, 62 percent of the payments received were for less than \$60, including the increases which you have attacked.

* * *

Your reference to "agents of the Federal Government" in the county, "who are empowered to tell" the farmer how much he may raise, disregards completely the fact that the conservation program is administered in the counties by local farmer committees, elected by the farmers of that county. This

(Editorial cont.)

The only catch is that "there will be deducted from each person's payment his share of the expense of administering the program in his county." In other words, he will get somewhat less than the pamphlet indicates, and what is taken from him will go to the agents of the Federal government in his county who are empowered to tell him how much he may raise, and to determine whether or not he is entitled to be rewarded or penalized. The ingenuity and cynicism of this political racket deserve admiration. It is almost as bald-faced as the use of W.P.A. to swing votes. "We'll pay you for doing what you have been doing," the A.A.A in effect says to the farmer, "provided you do as we say, and if you don't we'll penalize you." On potatoes alone, the penalty is 30 cents a bushel on every acre over three. Inasmuch as good yields approach 200 bushels an acre, the potential penalty is \$60 an acre---unless, of course, the farmer does as he is told, and votes right!

(AAA Comments cont.)

program is run by farmers and it is voluntary. Your farmer friend in Massachusetts does not have to cooperate in the conservation program unless he wishes to. And when he does participate in the program he works locally with his neighbors who have been elected by the farmers of the county.

When you speak of the local administration of this program by farmers in terms of "the ingenuity and cynicism of this political racket," you are reflecting upon the integrity, not of "Federal agents," but of the farmers in Massachusetts and elsewhere in the Nation who have been elected by their neighbors to administer the program locally.

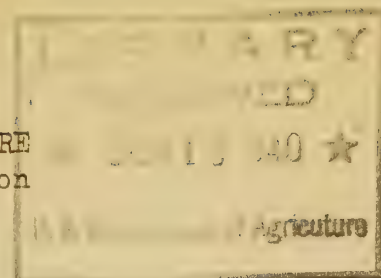
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The problem of conservation is not one for farmers alone. Farmers get only a part of the benefit from conservation. Farmers alone cannot bear the full cost of conservation. Farmers might be able to do this if they had not over a good many years been subsidizing the cities at the rate of roughly two billion dollars a year in the form of low priced farm products.

No one questions that some farmers are able to do the things the AAA program encourages. But to say that help to all farmers should be denied because some farmers do not need it is about as logical as attacking the public school system because some people are able to pay for a private education for their children, or as withholding from publishers the second-class privilege because some people can afford to buy newspapers and magazines at any price. The AAA believes in a conservation program arrived at by voluntary democratic processes. Alternatives would be a return to the fierce competition of six million individual farmers, or to a compulsory program. If the New York Herald Tribune believes in conservation, it must answer the question whether it proposes to accomplish it by a voluntary program with payments, or by compulsion. The Agricultural Adjustment Administration believes in the former. It is the way of democracy---and it is cheaper.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.



CURRENT COMMENT ON AAA PROGRAMS

Number 4

May 27, 1940

The following is an
editorial by Roger W.
Babson from the Pittsburgh
Press, May 12, 1940:

AAA Comments:

**BILLIONS IN U. S. CASH FAIL
TO SOLVE FARM PROBLEM**

Nowhere but in the running of a country could a management spend three billion dollars, accomplish nothing, and get away with it! Yet the New Deal still has the edge in the great farm states where the agricultural problem is as unsolved today as in 1934 despite the billions spent to solve it.

Nub of the farm dilemma is the gap between what the farmer receives for the products he sells and what he pays for the goods he buys. This gap is still nearly as wide as it was six years ago.

I doubt if many voters realize the number of different government schemes to help the farmers and how much these plans cost. There are crop subsidies, cheap mortgages, seed loans, storage aid, soil conservation, parity payments in a score of different forms. Before it adjourns, Congress will probably appropriate for aid \$200,000,000 more than the President's liberal recommendations. This will wipe out the savings painfully pared from 10 other appropriation bills!

It is estimated that the total cost of farm aid for 1940-41 will be over \$1,000,000,000--more than

If tornado, fire, flood, drouth and pestilence hit your farm and continued in one form or another for 10 years; if these calamities blew the roof off your barn, tore the "L" off your house, and flattened your crops; and if in this period you had been obliged to spend 10 percent of the value of the farm to repair damages, strengthen your structures, build a storm cellar, pay the note at the bank and to keep in business, would you complain that the money was wasted because it had not ended your troubles? Or would you give thanks for still having a home and family and being in business with a good prospect of getting on your feet?

This is comparable to what has happened to agriculture in the last 10 years. We are dealing with deep-rooted problems, and we live in a torn-up world in process of swift change. Those who recognize this do not decry the expenditure of 3 billion dollars in 7 years on a 35-billion dollar farm plant.

Mr. Babson chooses the years 1934 and 1939 for his contrast. Very well, let us measure the differences:

Increase in cash farm income for the total of that period was 8 billion dollars.

the entire amount the Federal Government spent for all purposes in any year up to the World War.

Prices Still Low

Three billion dollars have been ladled out to farmers in direct government payments since 1934. Yet their unhappy plight is still unsolved. the war has boosted the price of a few farm products such as corn and wheat. On the whole, however, farm products on the average are not much firmer today than they were in 1934 when the AAA got under way.

While the expenses of the Department of Agriculture for the coming year may set a new all-time record, the seven-year attempt to "purchase" farm prosperity has been a dismal failure!

Because of the unbridled spending, there must be some fancy juggling of figures in Washington this year. Otherwise the Treasury's bills will exceed the Federal debt limit of \$45,000,000,000. Either this debt must be marked up or taxes must be boosted; although this year the government may take a short cut by using the paper profits made by certain departments.

Continuing these huge agricultural outlays only hastens the day when Congress must boost taxes for both farm and factory. And higher taxes will raise further the prices of city-made goods which the farmer says he already cannot afford to buy.

Total increase in buying power of farm products from 1934 to 1939 is $1 \frac{1}{5}$ billions a year or a total of 6 billions for the entire period.

Total cash available for farm living has increased from less than 4 billions in 1934 to $5 \frac{1}{3}$ billions in 1939, a total increase for all the years of the entire period of $6 \frac{1}{2}$ billion dollars.

Value of farm real estate has gone up 15 percent, 1933-1939.

Rural retail purchases have increased 52 percent from 1934 to 1939--a most interesting item to business, which has used it as the stage for much of its recovery in this period.

These are returns on the 3 billion dollar investment overlooked by Mr. Babson. Nor does he acknowledge that the farmer has subsidized the consumer 2 billion dollars a year by furnishing farm products at prices far short of parity. And he ignores completely these items of national significance:

The American family type of farm has been kept going

The farmer's children have gone back to school

Soil waste has been checked, soil conservation well begun

Business-like adjustment of production to markets has been instituted

Wasteful marketing of surpluses has given way to thrifty storage, orderly marketing, and increased consumption among low income groups

Subsidies Here to Stay

Seven years of fruitless handouts ought to prove to even the hardest-to-convince that farm prosperity cannot be legislated or bought. However, one does not have to look far to find the reason for Congress' great concern for the farmers again this year. Certain farm groups are well organized and speak for big blocs of voters.

The politicians have their feet planted solidly in the farm problem and it will be no easy task to yank them out. Handouts and subsidies will bulk large in "farm economics" for years to come. Government checks will continue to be stuffed into R. F. D. mail boxes.

There is nothing unusual in the procedure. I am not blaming the farmers. Other groups are "getting theirs." Why should the farmer be shy at "handout time"? But the farm problem will never be solved by subsidies, benefits, relief. It will only go from bad to worse until nature's laws of rewards and punishments are allowed again to function freely.

New Industrial Uses Needed

Perhaps if farmers should organize into strong unions and force their prices up artificially just as labor has done, it might bring both the unions and the politicians to their senses!

Basically, however, the answer lies in finding new industrial uses for farm products; but this solution is too far off, too intangible to satisfy the politicians. Consequently, billions more will be spent in trying to buy farm prosperity (and incidentally the farm vote).

Again I say that only in a government could a management spend \$3,000,000,000 and, without showing any results, get away with it! Or can they? November 5 will tell the story. It will be a vital story, too, because the election of 1940 will be the most significant since 1860!

Crop hazards have become insurable for wheat growers in line with good insurance practice

Laboratories have been established to find new uses for farm products

Freight rate researches have been started to remove some of the glaring inequities so unfair to agriculture and business.

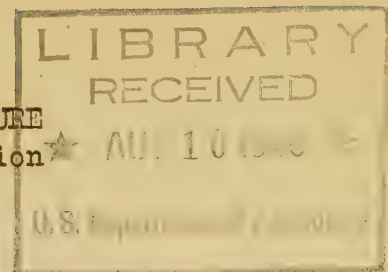
Thus arrayed the progress has been noteworthy, but the chief gain has not been mentioned. The most significant fact of this period is the emergence of national agricultural policy and the organization of action programs to put this policy in force. The right of agriculture to economic equality with industry, commerce and labor has been established. The long period of farm decline and neglect has been ended. Constructive forces which are conserving the soil and the farm home have been set in motion. Economic democracy--the right and opportunity of the common man to share in the decisions which affect his welfare--has been brought to agriculture.

At long last the farmer has the machinery for meeting his immediate pressing problems, and for gradually working out permanent solutions.

When held up by itself, without recognition of the accomplishments, 3 billion dollars for agriculture is a tremendous sum. But when viewed in relation to national wealth, value of farm plant, the terrific impact of world economic forces on agriculture, the cost if nothing had been done, and the importance of agriculture as the anchor of democracy--3 billion dollars is a cheap price for farm programs.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.



CURRENT COMMENT ON AAA PROGRAMS

Number 5

July 25, 1940

"The Case History of Wheat"

In its May issue the Atlantic Monthly published an article "The Case History of Wheat" by Bliss Isely, which attacked the wheat phase of the national Farm Program.

Mr. Isely was identified in the same issue as "the son of a frontiersman...Kansas-born and bred..." He is quoted as saying that he writes "three market letters a week to publications serving trades that deal in farm products. I write a broomcorn letter, a flour letter, and a feedstuffs letter. In addition I do a great deal of writing for the farm press."

The article was so replete with errors that R. M. Evans, AAA Administrator, wrote to the editor of the Atlantic, setting forth the principal facts in the wheat situation and the wheat program and expressing the hope that the Atlantic would correct the erroneous impression created by the article.

In reply, the editor of the Atlantic wrote:

"It was my original intention to ask Secretary Wallace if he would reply in person or would nominate someone now in the Department of Agriculture to do so. Then came the violent turn in the affairs abroad, with the result that our immediate concern about the wheat harvest now has to do with two problems - the almost certain famine in Europe and the necessity of reaching some kind of agreement with South America in regard to our raw materials. The first responsibility of the Atlantic in these days is to cope with the emergencies that lie immediately ahead, and I think you will agree with me that both of these are more pressing than a discussion of what is or is not accurate about our harvest in normal times."

The principal charges made in the original article are taken up in Mr. Evans' letter, the text of which follows:

June 1, 1940

Mr. E. A. Weeks, Jr.,
Editor, The Atlantic Monthly,
8 Arlington Street,
Boston, Massachusetts.

Dear Mr. Weeks:

The article in the May Atlantic by Bliss Isely entitled "The Case History of Wheat" is so replete with errors that I must call some of the most flagrant to your attention. I am not concerned with Mr. Isely's conclusions which are his own affair, but I think it is a matter of public concern that the Atlantic, a reputable magazine devoted to public service, should publish so fallacious an article. I admit at the outset that I have set myself a most difficult task, for I have seldom seen truths, half-truths, and falsities so thoroughly and inextricably shuffled to lead to a desired conclusion.

Perhaps the most fundamental shortcoming in Mr. Isely's article is its failure to recognize some of the major factors influencing modern agriculture which include: (1) World War No. 1, (2) soil depletion and erosion, (3) the Smoot-Hawley Tariff, (4) world-wide nationalism, and (5) modern agricultural technology. It is difficult to see how anyone could presume to write authoritatively on the wheat situation without more mention of these factors than Mr. Isely has made, especially nationalism and the Smoot-Hawley Tariff. I submit that understanding of the United States wheat situation requires a knowledge of these rudimentary facts.

The first World War expanded wheat acreage out of line with the rest of the United States economy, and at variance with later world conditions. Our shift from a debtor to a creditor nation after the War placed a limitation on exports. Fear of hunger, the greatest motivating force back of mass movements and war, drove European nations to strive for food self-sufficiency in the post-war period. Progressively this reduced European imports of wheat. It was in the post-war era that the new wheat-growing and exporting countries of Argentina, Australia and Canada swelled the volume of exportable wheat. At the same time advancing agricultural technology, by reducing drudgery of wheat production, encouraged wheat expansion.

The effects of these forces were not fully felt until the early 30's, partly because it required time for some of them to gain momentum, more because we maintained an artificial basis for exports during the 20's by enormous private foreign loans which in effect subsidized exports.

It was not until 1930, too, that the United States went nationalistic in a big way through the erection of the Smoot-Hawley Tariff as a barrier to trade. Since that time the whole world has gone madly nationalistic. The inevitable disruption of international trade, as reflected in wheat, shows that world import requirements of all deficit countries declined from about 950 million bushels in 1928 to about 550 million bushels in 1939.

In the meantime United States farmers and the public generally became conscious of the growing menace of soil erosion and depletion, which is especially serious in the wind-eroded areas of the wheat-growing West. As a result great emphasis has been put on temperate, soil-conserving farming as essential to rehabilitation of our soils.

These are the highlights in the background of the wheat situation, without which there can be no intelligent consideration of methods adopted for meeting the group of problems it presents. Mr. Isely's article, however, fails to recognize the full significance of the United States and world wheat situations and it also reveals Mr. Isely as being uninformed about the AAA wheat program and some of the salient points in U. S. wheat history of the last 10 years. For example, Mr. Isely does not mention that from 1936 until the 1939 wheat crop was seeded, the wheat farmers had no program in operation to adjust wheat acreage.

Farmers first contracted to reduce acreage in 1934, and in that year seeded 63.6 million acres. In the spring of 1935, as a result of the 1934 drought, the acreage restrictions were raised. In 1936 the program was ruled out by the Supreme Court.

Under the Soil Conservation and Domestic Allotment Act passed in 1936, farmers were encouraged to shift land from soil-depleting to soil-conserving crops, but there was no provision calling specifically for the adjustment of wheat acreage. As one of a group of soil-depleting crops, wheat could have been--and in fact was--increased at the expense of other crops in that group.

In 1938 the conservation act was amended to include wheat acreage allotment and marketing quota provisions, but by the time the law was passed and signed, most of the 1938 wheat had been seeded.

Mr. Isely likewise fails to show his knowledge of the fundamental aims of the AAA farm program.

I quote statements: (1) "Under this act...(acreage control) would tend to starve the country into paying higher prices;" (2) "...we intended to grow just enough for domestic requirements ..."

That the farmer should be accused of efforts to "starve" the country is ironical.

In the first place the AAA farm program is provided with every measure to insure ample supplies of wheat for all needs. The acreage allotment is the basic instrument of the program for balancing production to needs by avoiding wasteful overproduction. But the law specifies that the national allotment must be the acreage which, at average yields and together with the prospective carryover, will provide enough wheat to meet normal domestic outlets, normal export outlets, plus a 30 percent reserve. This reserve is nearly 100 million bushels more wheat than the average carryover in the 1920's.

As a further protection, the farmer is enabled to store his excess wheat under government loan until the size of the new crop can be estimated. In addition, a crop insurance program offers protection against crop failure both to the farmer and the consumer.

Mr. Isely's statistical table of wheat seedings shows the 1939 seeded acreage as 85 million acres. The fact is that only 64 million acres were seeded in 1939.

Since 1939 was the first year in which farmers had available a complete program designed to bring about adjustment in wheat seedings, that year is important. Farmers in 1939 made the greatest reduction of wheat acreage ever made in one year. Nor is that all. The 1940 record emphasizes the start made in 1939. Farmers once more are complying with their wheat acreage allotments on an unprecedented scale and the Government crop report estimates about 65 million acres of wheat seeded for 1940.

In the light of these facts how can a fair-minded man say: ".... attempts at crop control have defeated their purpose and have resulted in increased acreages;".... "More wheat is being put into the ground today than ever before."

However, much of Mr. Isely's condemnation of the AAA program is based on those statements and on a 1939 wheat acreage figure in his table which is 21 million acres higher -- a third higher -- than the acreage actually seeded. This error seems particularly inexcusable since the preliminary statistics on the 1939 wheat acreage became available on March 17, 1939, when the Federal Crop Reporting Board issued its annual report of farmers' intentions to plant. Mr. Isely must have had access to later information because he uses figures on 1939 production which became available only after the acreage was known.

In explaining the reduced 1939 crop, Mr. Isely writes, "Drought in the Western Plains, not the AAA, reduced our 1939 harvest to 739 million bushels."

Actually the national average yield per acre harvested in 1939 was more than 4 percent higher than 1938 and the 1928-37 average yield. The important factor in the reduction of total wheat production from 931,000,000 bushels in 1938 to 755,000,000 bushels in 1939 was the huge acreage reduction made in 1939 seedings by the wheat farmers.

Once more getting his facts mixed, Mr. Isely declares that: "It is interesting to note that the amount of land allotted by the Department of Agriculture to be seeded to wheat for 1938 was 55 million acres. The farmers, however, sowed 80 million acres and harvested 70 million."

For 1938 a wheat acreage allotment of 62,500,000 acres -- not 55 million acres -- was established, but the adjustment of wheat acreage to the acreage allotment was not required because, as has been pointed out, the new law was not effective until most of the wheat had been seeded. In 1939, however, the allotment was 55 million acres, and farmers sowed 64 million acres and harvested 54 million acres.

Regarding exports, Mr. Isely points to the great exports of the 1920's, saying, "during the decade 1920-29 our wheat exports averaged 214 million bushels a year."

Here again he has limited himself to half the story. He does not mention the \$10,077,000,000 loaned by the United States Government to foreign countries in 1917-19. He does not mention the \$51,000,000 loaned by this Government and the \$8,734,000,000 additional funds loaned privately to foreign countries from 1920 through 1929.

Mr. Isely says, "Under the AAA it was planned that we should have no surplus and we deliberately abandoned our foreign market." He accuses the AAA of increasing wheat acreages, yet he also declares "we deliberately abandoned our foreign market."

Here again he disregards the forces operating in the world's wheat growing industry. He fails to mention that world wheat exports in 1939 were little more than half their 1928 volume, that world wheat supplies at the outbreak of war last fall were by far the largest in history, and that trade agreement and export subsidy programs combined to give the United States its fair share of the world's reduced export market in 1939. Nowhere does he acknowledge that the AAA program requires acreage allotments to be based on a supply sufficient for all possible domestic outlets, all possible export outlets, plus a 30 percent reserve.

Mr. Isely writes, "When America withdrew from the export market, other wheat-producing countries increased plantings of wheat in anticipation of gaining that trade."

The record-breaking world supplies have misled Mr. Isely. He apparently assumes the huge production in 1937, 1938 and 1939 came about as a result of correspondingly huge increases in acreage. This is what the Bureau of Agricultural Economics reports:

"World wheat acreage has been steadily increasing over a period of years. World production was not large in 1934-36 because yields per acre were considerably below average. In 1937, with more normal yields, production was again large, and in 1938, with very high yields per acre the largest world wheat crop in history was produced."

While pointing out that farm prosperity cannot be reckoned wholly

in terms of prices, Mr. Isely says that "while wheat has gone down, shirts have gone up."

That is as close as he comes to stating the real problem and the real reason why farmers, just as much as industry, require a program to adjust their production to needs. Farmers ask only to have the power that business and labor for years have had to maintain their prices, wages, and incomes.

Let me give an example. From 1929 to 1931 wheat farmers increased their production 11-1/2 percent per capita while their average farm price dropped 62-1/2 percent. On the other hand, the manufacturers of farm equipment and related products reduced their production by 65-1/2 percent while the wholesale prices of agricultural implements dropped only 6-1/2 percent.

The farmer is asking an opportunity to do no more than the manufacturers of products he buys. In the program he now has he can do this, though not on nearly as ruthless a basis. The farmer knows that he receives only about 1 cent for the wheat in a 9-cent 1-pound loaf of bread. He knows that the farm price of wheat has to increase 65 cents a bushel to justify an increased cost of one cent a loaf of bread to the consumer.

Still when farmers are attempting to get, not exorbitant prices, but merely a parity with things they must buy by applying business principles to their own business, Mr. Isely charges them of abandoning "safe and sane agriculture."

In describing the aims of the program, Mr. Isely says, "Thus our price, theoretically, would rise above the world level to the extent of the tariff."

This is no longer mere theory. In the face of record-breaking world supplies which depressed world wheat prices to an all-time low, U. S. farmers have protected domestic wheat prices and wheat income. For example, in August 1938, just before farmers began seedings under the new program, the average U. S. farm price of wheat was 34 cents under average quotations at Liverpool. One year later, in August 1939, the U. S. farm price was about 3 cents over Liverpool.

Because Liverpool is normally about 30 cents over the domestic farm price, this meant U. S. farmers got 30 to 35 cents a bushel more for their wheat than if their price had been based on the world price. During most of the time since December our prices were so attractive in relation to world prices that a difference of only a few cents prevented imports of foreign wheat.

Mr. Isely declared that AAA has failed to bring parity. But Mr. Isely overlooks those wheat farmers cooperating with the AAA program who stored their wheat at harvest time last fall under government loan and who were able to get an average farm price of about 85 cents when they liquidated in the January-April period. (In April the average farm price was 88.9 cents.) Besides this they earned 28 cents a bushel conservation and parity payments for cooperating in the wheat program.

Add this up and you get \$1.13 from which, of course, he paid 3 percent interest on his loan and storage charges. Nevertheless, the wheat cooperator realized a return from his wheat not far from the parity price of \$1.13.

Mr. Isely has this to say about crop insurance:

"The complying farmer has the privilege of insuring the next year's crop. In the fall of 1939, when drouth prevailed at seeding time and when no commercial company would insure a crop in the drouth-stricken states of the hard-winter wheat belt, the government not only stood ready to insure crops, but through local committees put on campaigns urging farmers to insure. Consequently a great many farmers seeded their wheat in the dust, where it has since been destroyed. They are now released from all the worry and expense of harvest in 1940, for they can collect the value of eight and a half bushels of wheat an acre, on the average next summer."

It is true that no commercial company would insure a crop in the drought district of the hard winter wheat belt in the fall of 1939 -- or, for that matter, in any State in the Union. Commercial insurance companies do not offer all-risk insurance to farmers. The federal program of crop insurance was inaugurated because such protection was needed.

Drought has had much to do with the development of all-risk insurance, since the droughts of 1934 and 1936 demonstrated the terrific economic losses that farmers may experience through unavoidable crop hazards.

The author implies, although he does not state directly, that insurance was a gift to the growers and was written after it was known that the crop was a failure. The fact is that the insurance was written early in the fall before it was known what conditions would prevail at seeding time. The dates for taking applications for insurance purposely have been set prior to the normal seeding of the crop in order that all farmers will be on exactly the same footing as to crop prospects at the time the crop is seeded. Certainly no one could prophesy whether it would rain or continue to be dry.

It also should be brought out that all growers who insure their crop pay premiums that are directly in line with the amount of risk of growing wheat on their individual farms. The rates for the southwestern wheat belt are admittedly high because the base period for determining the rates includes several of the worst drought years in the history of the wheat belt. In other words, there is no subsidy in the rates and, in fact, there has been some opinion that perhaps the rates are unfairly high.

In Western Kansas, for example, it requires one bushel of premium to insure 3 bushels of yield, a 33-1/3 percent rate which reflects the extreme hazard that growers in this area have faced in the past.

Western Oklahoma requires one bushel of premium to insure 7.4 bushels of yield. In the Western section of Texas the average premium is one bushel to insure 3.9 bushels of yield.

The 8.5 bushel figure that Mr. Isely cites might refer to the national average, although it is incorrect. The national average is 9.4 bushels per acre for insured production and does not apply to the Southwestern hard winter wheat belt.

I have not attempted to catalog and expose all the errors in Mr. Isely's article, but I cannot refrain from referring to his quotation of Secretary Wallace's father, the late Henry C. Wallace, Secretary of Agriculture in the early 20's. True, the elder Wallace, a grand farm leader in his time, was opposed to some of the principles embodied in the farm legislation championed by his son. But the world of that day is not the world of today, in fact the differences are as great as between the agricultural world of the elder Wallace and that of pre-Civil War days. James Russell Lowell expressed a fundamental when he wrote: "New occasions teach new duties, time makes ancient truth uncouth."

Admittedly, the wheat problem is serious, and will be for many years to come, but no longer is it desperate as in the early 30's. Wheat farmers like most other farmers are going through a period of severe adjustment, and the present world conflict promises a continuation and perhaps intensification of the general dislocation. These are times for sober thought. We do not know what the ultimate solution of the wheat problem will be, but we do not think it wise public policy to abandon a program that has thus far demonstrated its success in supplying our wheat needs and at the same time in preserving that segment of the American farm family represented by wheat growers. Public discussion based on facts is needed, and the intelligent criticism which should result is both welcome and essential to the development of lasting solutions.

Undoubtedly many thoughtful readers, long accustomed to the accuracy of your articles, will accept Mr. Isely's story as a true description of the wheat situation. I hope that you may correct this, either through the publication of this letter or by some other means,

Sincerely yours,

/s/ R. M. Evans,
Administrator.